

**OKOBOJI  
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2008

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**OKOBOJI COMMUNITY SCHOOL DISTRICT**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education**

**(Before September, 2007 Election)**

Ryan Rohlk	President	2007
Phil Miklo	Vice President	2007
Markham Hale		2008
Christopher Stein		2008
Laurie Simington		2009

**(After September, 2007 Election)**

Christopher Stein	President	2008
Phil Miklo	Vice President	2011
Markham Hale		2008
Dee Wermersen		2009
Laurie Simington		2009

**School Officials**

Robert Miller	Superintendent
Katy Sporrer	District Secretary/ Treasurer

# BRUCE D. FRINK

Certified Public Accountant

To the Board of Education of  
Okoboji Community School District:

## Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

## Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

## Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Okoboji Community School District, Milford, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

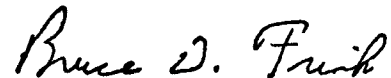
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Okoboji Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated March 19, 2009 on our consideration of Okoboji Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 32 through 33 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Okoboji Community School District's basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The financial statements for the year ended June 30, 2004 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Bruce D. Frink".

**BRUCE D. FRINK**  
**Certified Public Accountant**

March 19, 2009

# **OKOBOJI COMMUNITY SCHOOL DISTRICT**

## **Management's Discussion and Analysis**

Okoboji Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$8,715,978 in fiscal year 2007 to \$8,674,012 in fiscal year 2008 (1% decrease), while General Fund expenditures increased from \$8,382,135 in fiscal year 2007 to \$8,371,197 in fiscal year 2008 (1% decrease).
- General Fund revenues showed decreased property tax revenues that were offset by state revenue increases. Expenditures were held steady due to constant monitoring of staffing and discretionary spending.
- The School Infrastructure Local Option Sales Tax continues to generate funds for the District. These monies are being used for construction and improvement of district facilities. This tax allows the District to update its facilities without raising property taxes. It has also allowed the District to retire debt without the use of property taxes.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Okoboji Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Okoboji Community School District operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Okoboji Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
*Okoboji Community School District Annual Financial Report*

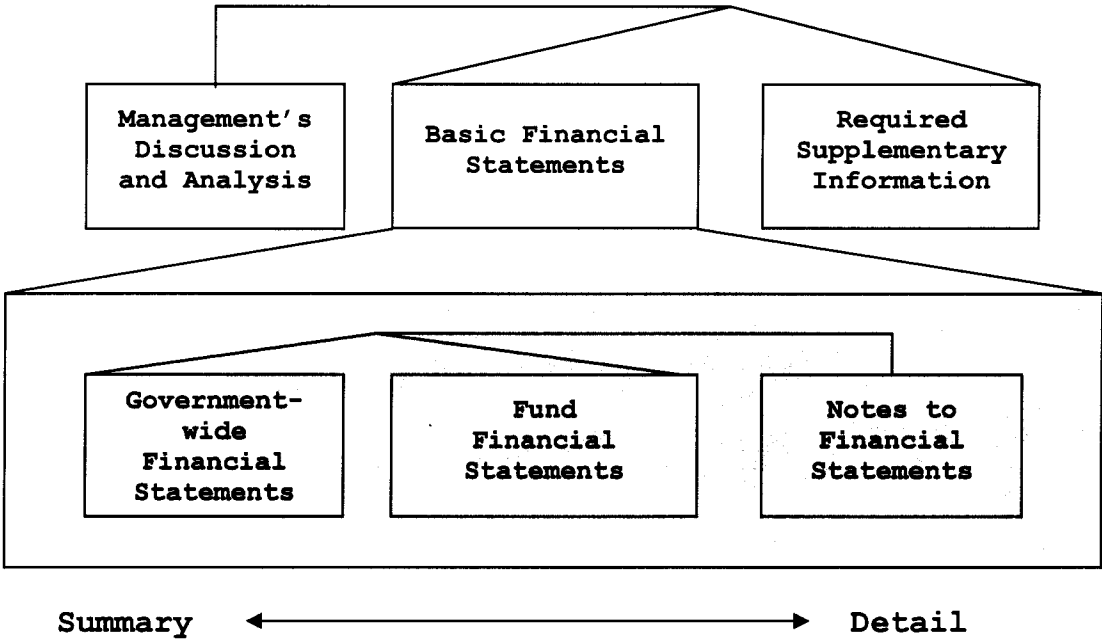


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**  
**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Fund	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services.	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Assets, a statement of revenues, expenses, changes in net assets and a Statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Net assets** - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2008 compared to June 30, 2007.

**Figure A-3**  
**Condensed Statement of Net Assets**  
**(Expressed in Thousands)**

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current assets	\$ 10,484	9,276	66	65	10,550	9,341	11.46%
Capital assets	13,026	13,033	77	93	13,103	13,126	-0.18%
<b>Total assets</b>	<b>23,510</b>	<b>22,309</b>	<b>143</b>	<b>158</b>	<b>23,653</b>	<b>22,467</b>	<b>5.01%</b>
Current liabilities	7,641	7,430	18	19	7,659	7,449	2.74%
Non-current liabilities	2,505	3,904	-	-	2,505	3,904	-55.85%
<b>Total liabilities</b>	<b>10,146</b>	<b>11,334</b>	<b>18</b>	<b>19</b>	<b>10,164</b>	<b>11,353</b>	<b>-11.70%</b>
<b>Net Assets</b>							
Invested in capital assets, net of related debt	11,052	9,472	77	93	11,129	9,565	14.05%
Restricted	475	568	-	-	475	568	-19.58%
Unrestricted	1,837	935	48	46	1,885	981	47.96%
<b>Total net assets</b>	<b>\$ 13,364</b>	<b>10,975</b>	<b>125</b>	<b>139</b>	<b>13,489</b>	<b>11,114</b>	<b>17.61%</b>

Total net assets increased over 8% due primarily to three factors - continued collection of local option sales tax, continued investment by the District in its capital assets and a 40% increase in the General Fund. Purchases of capital assets require current resources. However, their cost is spread out over the useful life of the asset. The General Fund increased due to additional revenue sources becoming available as well as careful monitoring of expenses.

Changes in net assets - figure A-4 shows the changes in net assets for the year ended June 30, 2008 and 2007.

**Figure A-4**  
**Changes in Net Assets**  
**(Expressed in Thousands)**

	Governmental Activities		Business type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Revenues:							
Program revenues:							
Charges for service and sales	\$ 600	549	206	170	806	719	12.10%
Operating grants, contributions and restricted interest	1,340	1,397	145	151	1,485	1,548	-4.07%
General revenues:							
Property tax	6,187	6,472	-	-	6,187	6,472	-4.40%
Income surtax	166	128	-	-	166	128	29.69%
Local option sales tax	1,109	1,214	-	-	1,109	1,214	-8.65%
Unrestricted state grants	1,098	1,085	-	-	1,098	1,085	1.20%
Unrestricted investment earnings	107	65	-	-	107	65	64.62%
Other	18	36	-	-	18	36	-50.00%
Total revenues	<u>10,625</u>	<u>10,946</u>	<u>351</u>	<u>321</u>	<u>10,976</u>	<u>11,267</u>	<u>-2.58%</u>
Program expenses:							
Governmental activities:							
Instruction	5,914	5,696	-	-	5,914	5,696	3.83%
Support Services	2,316	2,786	-	-	2,316	2,786	-16.87%
Non-instructional programs	-	-	365	373	365	373	-2.14%
Other expenses	1,059	1,135	-	-	1,059	1,135	-6.70%
Total expenses	<u>9,289</u>	<u>9,617</u>	<u>365</u>	<u>373</u>	<u>9,654</u>	<u>9,990</u>	<u>-3.36%</u>
Change in net assets	\$ <u>1,336</u>	<u>1,329</u>	<u>(14)</u>	<u>(52)</u>	<u>1,322</u>	<u>1,277</u>	<u>3.52%</u>

Property tax and unrestricted state grants account for 66% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 85% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$10,624,965 and expenses were \$9,288,807.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenses, for the year ended June 30, 2008 compared to they year ended June 30, 2007.

**Figure A-5**  
**Total and Net Cost of Governmental Activities**  
**(Expressed in Thousands)**

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 5,914	5,696	3.83%	4,340	4,180	3.83%
Support Services	2,316	2,786	-16.87%	2,275	2,668	-14.73%
Other expenses	<u>1,059</u>	<u>1,135</u>	<u>-6.70%</u>	<u>734</u>	<u>824</u>	<u>-10.92%</u>
Totals	\$ <u>9,289</u>	<u>9,617</u>	<u>-3.41%</u>	<u>7,349</u>	<u>7,672</u>	<u>-4.21%</u>

- The cost financed by users of the District's programs was \$599,893.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$714,553.
- The net cost of governmental activities was financed with \$6,187,727 in property tax, and \$1,098,452 in state foundation aid.

### **Business Type Activities**

Revenues of the District's business-type activities were \$350,990 and expenses were \$364,807. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2008, the balance in the School Nutrition Fund decreased by 10%.

## **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As previously noted Okoboji Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,490,682, a twenty-nine percent increase over last year's ending fund balances of \$1,925,593. The primary reason was the increase of over \$300,000 in the District's General Fund.

### **Governmental Fund Highlights**

- The District's General Fund balance increased 26% over the prior year. Additional State aid was the primary source of increase. Allowable growth of 4% or less is inadequate to maintain current programs without dipping into reserves.
- The District continues to improve its facilities and relieve property tax asking primarily through the use of local option sales tax revenues.
- The District's resident enrollment decreased by 23.4 students. However, the District had a net gain of 10.0 open enrollment students.
- Capital Projects monies were used for a variety of projects and property tax relief throughout the District spending more than revenues received was part of the District's planning.

### **Proprietary Fund Highlights**

The School Nutrition fund decreased 10% during the year. The Nutrition Fund completed a third straight year of not requiring assistance from the General Fund.

## **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 35 and 36. The District exceeded the budgeted amount in one function; however, total actual expenses did not exceed the total budgeted expenses. It did not exceed its statutory spending authority.

## Legal Budgetary Highlights

The District's receipts were within 3% greater than budgeted receipts. The most significant variances resulted from the District receiving less federal aid, but more miscellaneous income than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2008, the District had invested \$13.1 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 3% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$586,232.

The original cost of the District's capital assets was \$21,127,841. Governmental funds account for \$20,790,443, with the remainder of \$337,398 accounted for in the Proprietary, School Nutrition Fund.

**Figure A-6**  
**Condensed Statement of Net Assets**  
**(Expressed in Thousands)**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 249	249	-	-	249	249	0.00%
Site improvements	616	648	-	-	616	648	-4.94%
Buildings	11,545	11,709	-	-	11,545	11,709	-1.40%
Furniture and equipment	616	486	93	93	709	579	22.45%
Totals	<u>\$ 13,026</u>	<u>13,092</u>	<u>93</u>	<u>93</u>	<u>13,119</u>	<u>13,185</u>	<u>-0.50%</u>

### Long-Term Debt

At June 30, 2008, the District had over \$1.9 million in general obligation bonds, revenue bonds and other long-term debt outstanding. This represents a decrease of approximately 33% from last year (See Figure A-7).

The District benefits from having the local banks purchase revenue bonds. The District is paying less interest expense and has a much less complicated system of repayment.

**Figure A-7**  
**Outstanding Long-Term Obligations**  
**(Expressed in Thousands)**

	Total District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
Early retirement	\$ 531	619	-14.22%
Revenue bonds	<u>1,974</u>	<u>2,688</u>	<u>-26.56%</u>
Total	<u>\$ 2,505</u>	<u>3,307</u>	<u>-24.25%</u>

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The District experienced a decreased enrollment again. Allowable growth of 4% is inadequate to maintain existing programs without dipping into reserves.
- Health insurance continues to be a very costly item to the District. The District continues to explore options for more affordable coverage.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.
- The legislature is proposing a statewide one cent sales tax for schools. This will have a major impact on the District's equipment and infrastructure purchases.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Katy Sporrer, Business Manager, Okoboji Community School District, 1205 7<sup>th</sup> Street, Milford, IA 51351.

## **Basic Financial Statements**

## OKOBOJI COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2008

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 3,220,348	52,708	3,273,056
Receivables:			
Property tax:			
Current year	55,464	-	55,464
Succeeding year	6,811,485	-	6,811,485
Income surtax - succeeding year	131,948	-	131,948
Due from other governments	262,325	-	262,325
Other receivables	2,215	217	2,432
Inventories	-	12,662	12,662
Capital assets, net of accumulated depreciation (note 3)	13,026,331	77,481	13,103,812
<b>Total assets</b>	<b>\$ 23,510,116</b>	<b>143,068</b>	<b>23,653,184</b>
<b>Liabilities</b>			
Accounts payable	\$ 9,870	-	9,870
Accrued payroll and benefits	819,882	17,723	837,605
Deferred revenue:			
Succeeding year property tax	6,811,485	-	6,811,485
Long term liabilities:			
Portion due within one year:			
Early retirement	92,270	-	92,270
Revenue bonds	741,591	-	741,591
Portion due after one year:			
Early retirement	438,347	-	438,347
Revenue bonds	1,232,475	-	1,232,475
<b>Total liabilities</b>	<b>10,145,920</b>	<b>17,723</b>	<b>10,163,643</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	11,052,265	77,481	11,129,746
Restricted for:			
Management fund	110,902	-	110,902
Debt service	45,287	-	45,287
Capital projects	318,653	-	318,653
Unrestricted	1,837,089	47,864	1,884,953
<b>Total net assets</b>	<b>\$ 13,364,196</b>	<b>125,345</b>	<b>13,489,541</b>

See notes to financial statements.



## OKOBOJI COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Service	Operating Grants, Contributions and Restricted Interest		Governmental Activities	Business Type Activities	Total
Expenses						
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:	\$ 5,914,332	598,049	975,858	(4,340,425)	-	(4,340,425)
Support services:						
Student services	305,035	-	-	(305,035)	-	(305,035)
Instructional staff services	167,967	-	-	(167,967)	-	(167,967)
Administration services	843,449	-	-	(843,449)	-	(843,449)
Operation and maintenance of plant services	686,370	-	39,141	(647,229)	-	(647,229)
Transportation services	313,146	1,844	-	(311,302)	-	(311,302)
	2,315,967	1,844	39,141	(2,274,982)	-	(2,274,982)
Other expenditures:						
Facilities acquisition	87,042	-	9,381	(77,661)	-	(77,661)
Interest on long-term debt	88,620	-	2,345	(86,275)	-	(86,275)
AEA flowthrough	312,783	-	312,783	-	-	-
Depreciation (unallocated)*	570,063	-	-	(570,063)	-	(570,063)
	1,058,508	-	324,509	(733,999)	-	(733,999)
Total governmental activities	9,288,807	599,893	1,339,508	(7,349,406)	-	(7,349,406)

OKOBOJI COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Expenses					
	364,807	144,760	-	(13,817)	(13,817)
Total	<u>\$ 9,653,614</u>	<u>1,484,268</u>	<u>(7,349,406)</u>	<u>(13,817)</u>	<u>(7,363,223)</u>
<b>General Revenues:</b>					
Property tax levied for:					
General purposes			\$ 5,670,097	-	5,670,097
Management Fund			261,115	-	261,115
Capital outlay			256,515	-	256,515
Income surtax			165,607	-	165,607
School Infrastructure Local Option Sales Tax			1,108,679	-	1,108,679
Unrestricted state grants			1,098,452	-	1,098,452
Unrestricted investment earnings			106,998	-	106,998
Other			18,101	-	18,101
Total general revenues			<u>8,685,564</u>	<u>-</u>	<u>8,685,564</u>
Change in net assets			1,336,158	(13,817)	1,322,341
Net assets beginning of year			<u>12,028,038</u>	<u>139,162</u>	<u>12,167,200</u>
Net assets end of year			<u>\$ 13,364,196</u>	<u>125,345</u>	<u>13,489,541</u>

\* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

## OKOBOJI COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2008

	<u>General</u>	<u>Management Levy</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
<b>Assets</b>					
Cash and pooled investments	\$ 2,084,950	435,763	220,423	259,294	3,000,430
Receivables:					
Property tax:					
Current year	50,335	2,319	-	2,810	55,464
Succeeding year	6,181,203	325,000	-	305,282	6,811,485
Income surtax - succeeding year	131,948	-	-	-	131,948
Due from other governments	164,095	-	98,230	-	262,325
Other receivables	<u>1,987</u>	<u>-</u>	<u>-</u>	<u>228</u>	<u>2,215</u>
<b>Total assets</b>	<u>\$ 8,614,518</u>	<u>763,082</u>	<u>318,653</u>	<u>567,614</u>	<u>10,263,867</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 8,524	-	-	1,346	9,870
Accrued payroll and benefits	819,882	-	-	-	819,882
Deferred revenue:					
Succeeding year property tax	6,181,203	325,000	-	305,282	6,811,485
Succeeding year income surtax	<u>131,948</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>131,948</u>
Total liabilities	<u>7,141,557</u>	<u>325,000</u>	<u>-</u>	<u>306,628</u>	<u>7,773,185</u>
Fund balances:					
Reserved for:					
Debt service	-	-	-	45,287	45,287
Capital projects	-	-	318,653	-	318,653
Unreserved	<u>1,472,961</u>	<u>438,082</u>	<u>-</u>	<u>215,699</u>	<u>2,126,742</u>
Total fund balances	<u>1,472,961</u>	<u>438,082</u>	<u>318,653</u>	<u>260,986</u>	<u>2,490,682</u>
<b>Total liabilities and fund balances</b>	<u>\$ 8,614,518</u>	<u>763,082</u>	<u>318,653</u>	<u>567,614</u>	<u>10,263,867</u>

See notes to financial statements.

## OKOBOJI COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2008

<b>Total fund balances of governmental funds (Exhibit C)</b>	\$ 2,490,682
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**Amounts reported for governmental activities in the Statement of  
Net Assets are different because:**

Income surtax receivable at June 30, 2008 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.	131,948
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	13,026,331
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An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	219,918
--	---------

Long-term liabilities, including compensated absences and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

Early retirement	\$ (530,617)	
Revenue bonds	<u>(1,974,066)</u>	<u>(2,504,683)</u>

<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>\$ 13,364,196</u></u>
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## OKOBOJI COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Fund Types

Year ended June 30, 2008

	General	Management Levy	Capital Projects	Nonmajor Special Revenue	Total
Revenues:					
Local sources:					
Local tax	\$ 5,798,952	261,115	1,108,679	256,515	7,425,261
Tuition	565,965	-	-	-	565,965
Other	183,615	33,558	9,381	244,705	471,259
State sources	1,944,833	128	-	120	1,945,081
Federal sources	180,647	-	-	-	180,647
Total revenues	8,674,012	294,801	1,118,060	501,340	10,588,213
Expenditures:					
Instruction	5,644,381	111,939	12,710	248,744	6,017,774
Support services:					
Student services	305,035	-	-	-	305,035
Instructional staff services	263,841	-	75,786	-	339,627
Administration services	801,017	42,432	-	-	843,449
Operation and maintenance of plant services	745,714	51,553	15,831	69,374	882,472
Transportation services	298,426	14,720	-	80,520	393,666
	2,414,033	108,705	91,617	149,894	2,764,249
Other expenditures:					
Facilities acquisition and construction services	-	-	29,488	95,872	125,360
Principal on long-term debt	-	-	-	714,338	714,338
Interest on long-term debt	-	-	-	88,620	88,620
AEA flowthrough	312,783	-	-	-	312,783
	312,783	-	29,488	898,830	1,241,101
Total expenditures	8,371,197	220,644	133,815	1,297,468	10,023,124
Excess (deficiency) of revenues over (under) expenditures	302,815	74,157	984,245	(796,128)	565,089
Other financing sources (uses):					
Operating transfers in	-	-	-	802,958	802,958
Operating transfers out	-	-	(802,958)	-	(802,958)
Total other financing sources (uses)	-	-	(802,958)	802,958	-
Net change in fund balances	302,815	74,157	181,287	6,830	565,089
Fund balances beginning of year	1,170,146	363,925	137,366	254,156	1,925,593
Fund balances end of year	\$ 1,472,961	438,082	318,653	260,986	2,490,682

See notes to financial statements.

## OKOBOJI COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2008

<b>Net change in fund balances - total governmental funds (Exhibit E)</b>	\$ 565,089
<b>Amounts reported for governmental activities in the Statement of Activities are different because:</b>	
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities	36,752
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:	
Capital outlays	\$ 504,203
Depreciation expense	<u>(570,063)</u> (65,860)
Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	
Repaid	714,338
An internal service fund is used by the District to charge the costs of the employee flexible benefit program to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.	(2,654)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Early retirement payments	<u>88,493</u>
<b>Change in net assets of governmental activities (Exhibit B)</b>	<u><u>\$ 1,336,158</u></u>

See notes to financial statements.

## OKOBOJI COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2008

	Enterprise Fund	Governmental Activities
	School Nutrition	Internal Service
<b>Assets</b>		
Cash and pooled investments	\$ 52,708	219,918
Other receivables	217	-
Inventories	12,662	-
Capital assets, net of accumulated depreciation	77,481	-
<b>Total assets</b>	<u>143,068</u>	<u>219,918</u>
<b>Liabilities</b>		
Accrued salary and benefits	<u>17,723</u>	<u>-</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	77,481	-
Unrestricted	<u>47,864</u>	<u>219,918</u>
<b>Total net assets</b>	<u>\$ 125,345</u>	<u>219,918</u>

See notes to financial statements.

## OKOBOJI COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Funds

Year ended June 30, 2008

	Business Type	Governmental Activities
	School Nutrition	Internal Service
Operating revenue:		
Local sources:		
Charges for services	\$ 206,230	958,972
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	118,596	-
Benefits	34,470	-
Services	7,762	-
Supplies	187,810	-
Depreciation	16,169	-
	364,807	-
Internal service programs:		
Benefits	-	972,456
Total operating expenses	364,807	972,456
Operating (loss)	(158,577)	(13,484)
Non-operating revenues:		
Local sources	2,443	10,830
State sources	4,560	-
Federal sources	137,757	-
	144,760	10,830
Net change in assets	(13,817)	(2,654)
Net assets beginning of year	139,162	222,572
Net assets end of year	\$ 125,345	219,918

See notes to financial statements.



## OKOBOJI COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2008

	Enterprise School Nutrition	Internal Service Health Insurance
Cash flows from operating activities:		
Cash received from sale of services	\$ 206,013	959,325
Cash payments to employees for services	(153,801)	(972,456)
Cash payments to suppliers for goods or services	(178,461)	-
Net cash provided by (used in) operating activities	(126,249)	(13,131)
Cash flows from non-capital financing activities:		
State grants received	4,560	-
Federal grants received	118,145	-
Net cash provided by non-capital financing activities	122,705	-
Cash flows from capital financing activities:		
Acquisition of fixed assets	(535)	-
Cash flows from capital financing activities:		
Interest on investments	2,443	10,830
Net increase (decrease) in cash and cash equivalents	(1,636)	(2,301)
Cash and cash equivalents beginning of year	54,344	222,219
Cash and cash equivalents end of year	\$ 52,708	219,918
<b>Reconciliation of operating income (loss) to net cash used in operating activities:</b>		
Operating (loss)	\$ (158,577)	(13,484)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:		
Depreciation	16,169	-
Commodities used	19,612	-
Decrease(Increase) in other receivables	(217)	353
(Increase) in inventory	(2,501)	-
(Decrease) in accrued salary and benefits	(735)	-
	\$ (126,249)	(13,131)

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2008, the District received federal commodities valued at \$19,612.

See notes to financial statements.

## OKOBOJI COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2008

	Private Purpose Trust
	<u>Scholarship and Special Needs</u>
<b>Assets</b>	
Cash	\$ <u>30,117</u>
<b>Net assets</b>	
Reserved for scholarships	<u>30,117</u>
<b>Total net assets</b>	<u><u>\$ 30,117</u></u>

See notes to financial statements.

## OKOBOJI COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2008

	Private Purpose Trust
	Scholarship and Special Needs
Additions:	
Local sources:	
Interest on investments	\$ 841
Contributions	5,950
Total additions	6,791
Deductions:	
Support services:	
Other	6,059
Total deductions	6,059
Change in net assets	732
Net assets beginning of year	29,385
Net assets end of year	\$ 30,117

See notes to financial statements.

# OKOBOJI COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2008

### (1) Summary of Significant Accounting Policies

Okoboji Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Milford, Arnolds Park, Fostoria, West Okoboji and Wahpeton, Iowa, and agricultural area in Dickinson and Clay Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Okoboji Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Okoboji Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Dickinson County Assessor's Conference Board.

#### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets*, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is used to account for the payment of interest and principal on the District's long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The District reports the following major proprietary funds:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The internal service fund is also reported as a proprietary fund. The internal service fund is used to account for the District's employee benefit cafeteria plan.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards and the purchase of items for students with personal needs.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year become effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ -
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2008.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

## E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures did not exceed the amounts budgeted in any of the four functions.

### (2) **Cash and Investments**

The District's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2008.

### (3) **Capital Assets**

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 248,655	-	-	248,655
Capital assets being depreciated:				
Buildings	16,547,877	180,771	-	16,728,648
Improvements other than buildings	1,159,385	19,927	-	1,179,312
Furniture and Equipment	2,330,323	303,505	-	2,633,828
Total capital assets being depreciated	20,037,585	504,203	-	20,541,788
Less accumulated depreciation for:				
Buildings	4,839,474	343,824	-	5,183,298
Improvements other than buildings	510,556	53,089	-	563,645
Furniture and Equipment	1,844,019	173,150	-	2,017,169
Total accumulated depreciation	7,194,049	570,063	-	7,764,112
Total capital assets being depreciated, net	12,843,536	(65,860)	-	12,777,676
Governmental activities, capital assets, net	\$ 13,092,191	(65,860)	-	13,026,331
<b>Business type activities:</b>				
Furniture and equipment	\$ 336,863	535	-	337,398
Less accumulated depreciation	243,748	16,169	-	259,917
Business type activities capital assets, net	\$ 93,115	(15,634)	-	77,481
Depreciation expense was charged to the following functions:				
Governmental activities:				
Unallocated				\$ 570,063
Business Type activities:				
Food service operations				\$ 16,169



#### (4) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2008 is as follows:

	Early Retirement \$	Revenue Bonds \$	Total \$
Balance beginning of year	619,110	2,688,404	3,307,514
Additions	-	-	-
Reductions	<u>88,493</u>	<u>714,338</u>	<u>802,831</u>
Balance end of year	<u>530,617</u>	<u>1,974,066</u>	<u>2,504,683</u>

#### (5) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual payroll for the years ended June 30, 2008. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$305,395, \$293,547, and \$274,688 respectively, equal to the required contributions for each year.

#### (6) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$312,783 for year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

#### (7) Early Retirement

The District offers a voluntary early retirement program plan to all its certified employees. Eligible employees must be at least age fifty-four by October 1, 2005 and must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives include the payment of health insurance premiums, at a fixed amount, by the District until age sixty-five. Early retirement expenditures for the year ended June 30, 2008 totaled \$88,493.

#### (8) Revenue Bonds Payable

Details of the District's June 30, 2008 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of June 2005			
	Interest Rate	Principal	Interest	Total
2009	3.757%	\$ 741,591	61,367	802,958
2010	3.757	769,884	33,074	802,958
2011	3.757	<u>462,591</u>	<u>5,800</u>	<u>468,392</u>
		<u>1,974,066</u>	<u>100,241</u>	<u>2,074,307</u>

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services revenue bonds include the following provisions:

- The bonds will only be redeemed from the future earnings of the local option sales tax revenues received by the District and the bond holders hold a lien on the future revenues received. Current revenues of \$1,108,679 are more than adequate to cover \$802,958 of debt payment requirement.

**(9) Interfund Transfers**

The detail of Interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$802,958</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(10) Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## **Required Supplementary Information**

**OKOBOJI COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -  
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2008

	Governmental Fund Types	Proprietary Fund Type	Total Actual	Budgeted Amounts	Final to Actual Variance
	Actual	Actual	Actual	Original	Final
<b>Revenues:</b>					
Local sources	\$ 8,462,485	208,673	8,671,158	8,340,032	8,340,032
State sources	1,945,081	4,560	1,949,641	1,864,957	1,864,957
Federal sources	180,647	137,757	318,404	439,000	439,000
Total revenues	10,588,213	350,990	10,939,203	10,643,989	10,643,989
<b>Expenditures:</b>					
Instruction	6,017,774	-	6,017,774	6,707,520	6,707,520
Support services	2,764,249	-	2,764,249	3,376,577	3,376,577
Non-instructional programs	-	364,807	364,807	400,000	400,000
Other expenditures	1,241,101	-	1,241,101	1,570,184	1,570,184
Total expenditures	10,023,124	364,807	10,387,931	12,054,281	12,054,281
Excess (deficiency) of revenues over (under) expenditures	565,089	(13,817)	551,272	(1,410,292)	(1,410,292)
Other financing sources (uses)	-	-	-	3,000	3,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	565,089	(13,817)	551,272	(1,407,292)	(1,407,292)
Balance beginning of year	1,925,593	139,162	2,064,755	1,986,685	1,986,685
Balance end of year	\$ 2,490,682	125,345	2,616,027	579,393	579,393

See accompanying independent auditor's report.

## **OKOBOJI COMMUNITY SCHOOL DISTRICT**

### **Notes to Required Supplementary Information - Budgetary Reporting**

Year ended June 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2008, expenditures did not exceed the amounts budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

## **Other Supplementary Information**

## OKOBOJI COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2008

	Special Revenue			
	Physical Plant and Equipment Levy	Student Activity	Debt Service	Total
<b>Assets</b>				
Cash and investments	\$ 108,092	105,915	45,287	259,294
Property tax receivable:				
Current year	2,810	-	-	2,810
Succeeding year	305,282	-	-	305,282
Other receivables	-	228	-	228
<b>Total assets</b>	<u>\$ 416,184</u>	<u>106,143</u>	<u>45,287</u>	<u>567,614</u>
<b>Liabilities and Fund Balance</b>				
Liabilities:				
Accounts payable	\$ -	1,346	-	1,346
Deferred revenue:				
Succeeding year property tax	305,282	-	-	305,282
	<u>305,282</u>	<u>1,346</u>	<u>-</u>	<u>306,628</u>
Fund balance:				
Reserved for debt service	-	-	45,287	45,287
Unreserved fund balance	110,902	104,797	-	215,699
	<u>110,902</u>	<u>104,797</u>	<u>45,287</u>	<u>260,986</u>
<b>Total liabilities and fund balance</b>	<u>\$ 416,184</u>	<u>106,143</u>	<u>45,287</u>	<u>567,614</u>

See accompanying independent auditor's report.

## OKOBOJI COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Governmental Funds

Year ended June 30, 2008

	Special Revenue			
	Physical Plant and Equipment Levy	Student Activity	Debt Service	Total
Revenues:				
Local sources:				
Local tax	\$ 256,515	-	-	256,515
Other	5,335	237,025	2,345	244,705
State sources	120	-	-	120
Total revenues	<u>261,970</u>	<u>237,025</u>	<u>2,345</u>	<u>501,340</u>
Expenditures:				
Instruction:	4,893	243,851	-	248,744
Support services:				
Plant operation and maintenance	69,374	-	-	69,374
Student transportation	80,520	-	-	80,520
Other expenditures:				
Facilities acquisition and construction services	95,872	-	-	95,872
Principal on long-term debt	-	-	714,338	714,338
Interest on long-term debt	-	-	88,620	88,620
Total expenditures	<u>250,659</u>	<u>243,851</u>	<u>802,958</u>	<u>1,297,468</u>
Excess (deficiency) of revenues over (under) expenditures	11,311	(6,826)	(800,613)	(796,128)
Other financing sources:				
Operating transfers in	-	-	802,958	802,958
Net change in fund balance	11,311	(6,826)	2,345	6,830
Fund balances beginning of year	<u>99,591</u>	<u>111,623</u>	<u>42,942</u>	<u>254,156</u>
Fund balances end of year	<u>\$ 110,902</u>	<u>104,797</u>	<u>45,287</u>	<u>260,986</u>

See accompanying independent auditor's report.



## OKOBOJI COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
All School Play	1,466	925	1,654	737
Speech	1	112	113	-
Debate Tournament	226	2,097	1,151	1,172
HS Debate	6	436	442	-
Show Choir	4,436	7,869	8,571	3,734
Jazz Band	3	7,144	7,147	-
Musical	1,466	3,901	2,542	2,825
Cross Country	676	821	-	1,497
Golf	727	361	161	927
Boys Basketball	2,293	12,488	13,582	1,199
Football	2,399	11,588	9,880	4,107
Baseball	844	92	554	382
Boys Track	288	3,701	784	3,205
Wrestling	1,907	1,045	2,321	631
Girls Basketball	2,413	5,761	3,765	4,409
Volleyball	1,810	4,380	3,556	2,634
Softball	2,959	3,435	6,259	135
Girls Track	890	1,526	1,250	1,166
MS Activity/Concessions	2,509	3,972	4,705	1,776
Class of 2004	560	-	-	560
Class of 2005	71	-	-	71
Class of 2006	589	-	-	589
Class of 2007	827	-	-	827
Class of 2008	425	799	382	842
Class of 2009	343	5,993	5,993	343
Class of 2010	363	376	-	739
Class of 2011	-	376	14	362
Pictures	456	-	-	456
Activity Tickets	1,979	-	297	1,682
Interest	5,193	7,323	9,978	2,538
Concessions	815	35,148	35,211	752
Student Pop	9,945	16,062	21,213	4,794
Pioneer Club	5,640	21,738	22,269	5,109
Student Council	2,022	1,383	428	2,977
Student Council Milk	1,034	4,375	4,802	607
Cheerleaders	1,372	2,173	2,476	1,069
Drill Team	2,258	8,522	9,653	1,127
Annual	4,580	10,126	11,042	3,664
Spanish Club	6,534	9,062	5,257	10,339
Science Club	1,182	-	-	1,182
FFA	13,857	29,613	36,163	7,307
Culinary Arts	796	1,679	1,693	782
Thespian Club	3,359	-	900	2,459
Art Appreciation	692	1,336	1,394	634

OKOBOJI COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Academic Awards	376	185	-	561
Key Club	903	400	49	1,254
HS Spec Ed Club	1,599	399	251	1,747
Business Club	-	1,664	1,664	-
Elementary	12,371	2,035	1,065	13,341
EL/MS Special Ed Club	1,300	199	375	1,124
Elementary Software	880	-	-	880
Elementary K-Kids Club	322	-	-	322
MS Student Senate	1,319	1,461	755	2,025
MS Spirit Club	-	1,831	1,822	9
MS Builders Club	342	113	268	187
MS Archery Club	-	1,000	-	1,000
Totals	<u>111,623</u>	<u>237,025</u>	<u>243,851</u>	<u>104,797</u>

See accompanying independent auditor's report.

## OKOBOJI COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Five Years

	Modified Accrual Basis				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 7,425,261	7,804,516	6,866,765	6,522,808	6,212,458
Tuition	565,965	547,104	471,660	404,145	271,723
Other	471,259	695,224	401,532	361,779	374,327
State sources	1,945,081	1,830,669	2,085,303	2,250,304	2,070,348
Federal sources	180,647	259,106	288,506	120,445	135,627
Total	<u>\$ 10,588,213</u>	<u>11,136,619</u>	<u>10,113,766</u>	<u>9,659,481</u>	<u>9,064,483</u>
Expenditures:					
Instruction	\$ 6,017,774	5,853,983	5,669,344	5,367,848	5,269,470
Support services:					
Student services	305,035	443,438	474,575	298,795	304,356
Instructional staff	339,627	322,767	558,304	265,083	250,005
Administration	843,449	827,716	787,710	801,969	733,467
Operation and maintenance of plant	882,472	822,464	751,089	716,128	640,696
Transportation	393,666	438,837	361,773	226,331	289,369
Other expenditures:					
Facilities acquisition	125,360	592,510	1,058,877	962,361	4,121,315
Debt service:					
Principal	714,338	873,086	973,509	1,205,000	685,000
Interest and services	88,620	116,630	137,364	267,554	203,522
AEA flowthrough	312,783	307,878	288,255	290,336	285,224
Total	<u>\$ 10,023,124</u>	<u>10,599,309</u>	<u>11,060,800</u>	<u>10,401,405</u>	<u>12,782,424</u>

See accompanying independent auditor's report.

# BRUCE D. FRINK

Certified Public Accountant

**Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards**

**Member:**

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

**Services:**

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

**Plus:**

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of  
Okoboji Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Okoboji Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 19, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Okoboji Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Okoboji Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Okoboji Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency and a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Okoboji Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Okoboji Community School District's financial statements that is more than inconsequential will not be prevented or detected by Okoboji Community School District's internal control. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Okoboji Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item 08-I-A is a material weakness.

#### Compliance and Other Matters

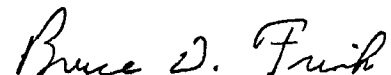
As part of obtaining reasonable assurance about whether Okoboji Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. We noted no instances of non-compliance or other matters to be described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Okoboji Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Okoboji Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Okoboji Community School District and other parties to whom Okoboji Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Okoboji Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



**BRUCE D. FRINK**  
**Certified Public Accountant**

March 19, 2009

OKOBOJI COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2008

**Part I: Findings Related to the General Purpose Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**SIGNIFICANT DEFICIENCIES:**

08-I-A      Segregation of Duties - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

**Part II: Other Findings Related to Required Statutory Reporting:**

08-II-A      Official Depositories - Official depositories have been approved by the District. The maximum deposit amount approved were not exceeded during the year ended June 30, 2008.

08-II-B      Certified Budget - Expenditures for the year ended June 30, 2008 did not exceed the certified budget amounts in any of the four functions.

08-II-C      Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

08-II-D      Business Transactions - No business transactions between the District and District officials or employees were noted.

08-II-E      Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

08-II-F      Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

08-II-G      Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

OKOBOJI COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2008

**Part II: Other Findings Related to Required Statutory Reporting:**  
**(continued):**

- 08-II-H      Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- 08-II-I      Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- 08-II-J      Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.